View of IMF regarding consolidation of Banks

2814. SHRIMATI T. RATNA BAI: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that consolidation of banks is good;

(b) if so, the comments of Government thereon; and

(c) the views of World Bank and International Monetary Fund (IMF) in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) and (b) The Raghuram Rajan Committee, in general, has recommended to encourage, but not force, consolidation amongst Public Sector Banks (PSBs). The Committee has observed that given the fragmented nature of the Indian banking system and the small size of the typical bank, some consolidation may be in order for banks that aim to play on a large stage. Government is of the view that the initiatives for consolidation amongst the PSBs should emanate from the management of the banks themselves with Government playing a supportive role as the common stakeholder.

(c) The Government has not received any specific view on consolidation of banks from World Bank and International Monetary Fund.

Losses of Banks

2815. MS. SUSHILA TIRIYA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Banks are continuing to hide huge losses;

(b) if so, the details thereof and reasons therefor; and

(c) the steps being taken in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) to (c) There is no specific report in the Reserve Bank of India about hiding of losses by banks. The Government has, in fact, already put in place a mechanism to monitor the overall performance of Public sector banks (PSB) on the basis of the 'Statement of Intent on Annual Goals (SOI)' submitted by them on various performance parameters such as growth in deposits and advances, advances to priority sector, Non-Performing Asset (NPA) Ratios, Capital Adequacy Radio, Net Interest Margin, Return on Assets, net profit, etc. The performance of the PSBs is monitored at regular intervals and these banks are appropriately advised whenever and wherever required.

Implementation of GST

†2816. SHRI PRAKASH JAVADEKAR: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government is contemplating to implement Goods and Services Tax (GST) by April, 2010;

†Original notice of the question was received in Hindi.

(b) if so, the details of action plan worked out by Government for the purpose; and

(c) the details of beneficial effects of the action plan after its implementation?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) The Central Government has declared its policy intent to introduce Goods and Services Tax (GST) in the country w.e.f. 1st April, 2010. The Empowered Committee of State Finance Ministers (EC) has developed a Model and a Roadmap for introduction of the GST in the country. EC has released First discussion Paper on GST on GST on 10th November, 2009 to obtain feedback from the stakeholders. The design details indicated in this paper are being studied by Centre at present. A Joint Working Group of officers of State and Central Government has been constituted to prepare draft Constitutional amendment bill and draft Central and State legislations for GST.

(c) The GST once implemented is likely to reduce cascading of tax and bring down compliance cost. The removal of cascading effect will make the products more competitive and thus is likely to lead to increased sales. The economy in general is therefore likely to see higher growth than would have been achieved otherwise.

Impact of counterfeit currency on national economy

†2817. SHRI RAJIV PRATAP RUDY: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the easy availability of counterfeit currency notes in the market has weakened the Indian Economy in the last few years;

(b) if so, the details thereof;

(c) whether it is a fact that percentage of fake currency notes in circulation in today's market is 28 per cent or more; and

(d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) to (d) Reserve Bank of India maintains that the volume of fake currency is negligible, at less than 0.001% (8 notes per million pieces) of the total notes in circulation and, therefore, there is no serious threat to the economy on this account.

Corruption in Agricultural Finance Corporation

†2818. SHRI PRABHAT JHA: Will the Minister of FINANCE be pleased to state:

(a) whether Government is aware that allegations of corruption and irregularity have been levelled against Agricultural Finance Corporation, Mumbai;

(b) if so, the details thereof and the action taken by Government so far in this regard;

†Original notice of the question was received in Hindi.